

CITY OF PEABODY

PEABODY, KANSAS

Special Financial Statements

December 31, 2010

City of Peabody, Kansas

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December 31, 2010

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Knudsen Monroe & Company LLC

INDEPENDENT AUDITOR'S REPORT

City Council
City of Peabody
Peabody, Kansas

We have audited the accompanying financial statements of the City of Peabody, Kansas, as of and for the year ended December 31, 2010, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year partial comparative financial information has been derived from the City's 2009 financial statements and, in our report dated May 7, 2010, we expressed an unqualified opinion on the financial statements taken as a whole.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the *Kansas Municipal Audit Guide*. Those standards and guidance require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The financial statements do not include financial data for the City's legally separated component unit. Accounting principles generally accepted in the United States of America require the financial data for this component unit to be reported with the financial data of the City's primary government unless the City also issues financial statements for the financial reporting entity that include the financial data for its component units. The City has not issued such reporting entity financial statements. The effect on the financial statements of the omission of the component unit, although not reasonably determinable, is presumed to be material.

As described more fully in Note 1, the City has prepared these financial statements in conformity with the accounting practices prescribed by the State of Kansas to demonstrate compliance with the cash basis and budget laws of the State of Kansas, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, is presumed to be material.

In our opinion, because of the omission of the discretely presented component unit, as discussed above, and because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City as of December 31, 2010, the changes in its financial position, or where applicable, its cash flows for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of the Primary Government of the City of Peabody, as of December 31, 2010, and its cash receipts and expenditures, and budget to actual comparisons for the year then ended, taken as a whole, on the basis of accounting described in Note 1.

Knudsen, Monroe & Company LLC

Certified Public Accountants

June 24, 2011

City of Peabody, Kansas
SUMMARY STATEMENT OF CASH RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH
Year ended December 31, 2010

Funds	Unencumbered		Unencumbered		Unencumbered	
	Cash Balance	Receipts	Expenditures	Cash Balance	Encumbrances	Cash Balance
	12-31-09			12-31-10		12-31-10
General	\$ 49,095	576,239	581,781	43,553	25,114	68,667
Special Revenue						
Special equipment (law & fire)	21,465	2,988	77	24,376	-	24,376
Special highway	189,509	157,520	237,345	109,684	414	110,098
Special park and recreation	913	4,470	5,307	76	-	76
Municipal equipment	212	60,107	60,264	55	-	55
Capital improvement	179	33,256	32,675	760	4,387	5,147
Police DARE	787	4	-	791	-	791
Police diversion	13,334	4,395	8,896	8,833	-	8,833
Police LLEBG	127	-	-	127	-	127
Drug forfeiture	1,190	-	-	1,190	-	1,190
Lighting	363	-	2	361	-	361
Hart Trust	-	81	-	81	-	81
Bradley estate	247	-	-	247	-	247
Debt Service						
Bond and interest	3,154	58,112	60,604	662	-	662
Capital Projects						
Community Capacity Grant	2,100	-	-	2,100	-	2,100
Sewer-Lagoon	110	580	-	690	-	690
Enterprise						
Water operating	39,746	252,907	274,884	17,769	30,521	48,290
Water debt service-2000	1,288	22,000	21,321	1,967	-	1,967
Water bond reserve-2000	19,470	1,795	-	21,265	-	21,265
Sewer operating	12,434	230,286	226,009	16,711	1,917	18,628
Sewer replacement	629	570	-	1,199	-	1,199
Refuse	26,706	66,909	85,443	8,172	4,885	13,057
Swimming pool	274	-	274	-	-	-
	\$ 383,332	1,472,219	1,594,882	260,669	67,238	327,907

City of Peabody, Kansas

SUMMARY STATEMENT OF EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2010

<u>Funds</u>	<u>Certified Budget</u>	<u>Adjustments for Qualifying Budget Credits</u>	<u>Total Budget for Comparison</u>	<u>Expenditures Chargeable to Current Year</u>	<u>Variance - Over (Under)</u>
General	\$ 635,975	-	635,975	581,781	(54,194)
Special Revenue					
Special equipment (law & fire)	20,400	-	20,400	77	(20,323)
Special highway	240,000	-	240,000	237,345	(2,655)
Special park and recreation	7,500	-	7,500	5,307	(2,193)
Debt Service					
Bond and interest	82,495	-	82,495	60,604	(21,891)
Enterprise					
Water operating	279,275	-	279,275	274,884	(4,391)
Sewer operating	266,725	-	266,725	226,009	(40,716)
Refuse	90,600	-	90,600	85,443	(5,157)
Swimming pool	-	-	-	274	274
Expenditures subject to current budget	<u>\$ 1,622,970</u>	<u>-</u>	<u>1,622,970</u>	1,471,724	<u>(151,246)</u>
Add expenditures for unbudgeted funds					
Municipal equipment				60,264	
Capital improvement				32,675	
Police diversion				8,896	
Lighting				2	
Water debt service - 2000				<u>21,321</u>	
Total expenditures, Statement 1				<u>\$ 1,594,882</u>	

City of Peabody, Kansas

General Fund

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2010

(With comparative actual amounts for the year ended December 31, 2009)

		2010		Variance -
	2009			Over
	Actual	Actual	Budget	(Under)
RECEIPTS				
Ad valorem property tax	\$ 291,272	293,762	286,900	6,862
Intangible tax	3,943	3,340	3,134	206
Delinquent tax	-	125	-	125
Vehicle tax	46,038	43,768	47,408	(3,640)
Liquor tax	521	620	450	170
Franchise tax	71,232	86,533	69,000	17,533
Licenses and permits	8,232	12,333	5,200	7,133
County sales tax	73,036	76,642	70,000	6,642
Highway connecting links	557	557	557	-
Fines	29,466	26,829	55,000	(28,171)
Interest on investments	92	48	406	(358)
Pool receipts	-	8,062	9,000	(938)
Reimbursements	10,960	12,002	11,000	1,002
Miscellaneous	14,927	11,618	2,000	9,618
	550,276	576,239	560,055	16,184
EXPENDITURES, page 5	586,248	581,781		
Receipts over (under) expenditures	(35,972)	(5,542)		
UNENCUMBERED CASH, beginning	85,067	49,095		
UNENCUMBERED CASH, ending	\$ 49,095	43,553		

City of Peabody, Kansas

General Fund

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2010

(With comparative actual amounts for the year ended December 31, 2009)

		2010		Variance -
	2009	Actual	Budget	Over
	Actual			(Under)
EXPENDITURES				
General Government				
Personal services	\$ 58,327	72,875	67,725	5,150
Contractual services	45,945	38,328	53,675	(15,347)
Commodities	(602)	7,573	3,950	3,623
Reimbursed expenses	-	25,023	9,000	16,023
Capital outlay	10,002	-	-	-
	<u>113,672</u>	<u>143,799</u>	<u>134,350</u>	<u>9,449</u>
Street				
Contractual services	269	36	-	36
Commodities	6,065	90	-	90
	<u>6,334</u>	<u>126</u>	<u>-</u>	<u>126</u>
Police				
Personal services	154,374	182,391	182,575	(184)
Contractual services	10,576	17,990	17,875	115
Commodities	25,696	20,116	29,050	(8,934)
	<u>190,646</u>	<u>220,497</u>	<u>229,500</u>	<u>(9,003)</u>
Fire				
Personal services	1,400	1,479	1,400	79
Contractual services	3,334	2,956	3,250	(294)
Commodities	699	43	-	43
	<u>5,433</u>	<u>4,478</u>	<u>4,650</u>	<u>(172)</u>
Park				
Personal services	13,345	15,841	13,500	2,341
Contractual services	3,887	4,496	3,700	796
Commodities	6,256	7,020	12,800	(5,780)
	<u>23,488</u>	<u>27,357</u>	<u>30,000</u>	<u>(2,643)</u>
Swimming Pool				
Personal services	35	21,329	22,100	(771)
Contractual services	850	2,596	3,900	(1,304)
Capital outlay	-	-	2,000	(2,000)
Commodities	2,920	12,173	8,700	3,473
	<u>3,805</u>	<u>36,098</u>	<u>36,700</u>	<u>(602)</u>
Other contractual services	7,250	1,867	4,000	(2,133)
Utilities	35,062	31,830	32,300	(470)
Economic Development	49,058	44,929	47,975	(3,046)
Transfers				
Special Park	8,000	3,800	5,000	(1,200)
Capital Improvement	20,500	-	20,000	(20,000)
Hart Trust	4,000	-	-	-
Bond and Interest	59,000	38,000	61,500	(23,500)
Municipal Equipment	32,000	29,000	30,000	(1,000)
Pool Operating	28,000	-	-	-
	<u>242,870</u>	<u>149,426</u>	<u>200,775</u>	<u>(51,349)</u>
Total expenditures	\$ 586,248	581,781	635,975	(54,194)

City of Peabody, Kansas

Special Revenue Funds

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2010

(With comparative actual amounts for the year ended December 31, 2009)

		2010		
	2009 Actual	Actual	Budget	Variance - Over (Under)
<u>SPECIAL EQUIPMENT (LAW & FIRE) FUND</u>				
RECEIPTS				
Ad valorem property tax	\$ 2,048	2,034	2,073	(39)
Delinquent tax	137	162	-	162
Vehicle tax	697	354	332	22
Other	-	438	-	438
	<u>2,882</u>	<u>2,988</u>	<u>2,405</u>	<u>583</u>
EXPENDITURES				
Contractual services	1,500	77	5,000	(4,923)
Commodities	-	-	1,400	(1,400)
Capital outlay	1,871	-	14,000	(14,000)
	<u>3,371</u>	<u>77</u>	<u>20,400</u>	<u>(20,323)</u>
Receipts over (under) expenditures	(489)	2,911		
UNENCUMBERED CASH, beginning	<u>21,954</u>	<u>21,465</u>		
UNENCUMBERED CASH, ending	<u>\$ 21,465</u>	<u>24,376</u>		
<u>SPECIAL HIGHWAY FUND</u>				
RECEIPTS				
State payments-gasoline tax	\$ 30,529	32,159	35,340	(3,181)
Settlement for damages	25,000	42,500	42,500	-
City sales tax	92,522	82,861	85,000	(2,139)
	<u>148,051</u>	<u>157,520</u>	<u>162,840</u>	<u>(5,320)</u>
EXPENDITURES				
Capital outlay	5,362	13,113	-	13,113
Commodities	14,035	26,319	35,000	(8,681)
Contractual services	117,519	197,913	205,000	(7,087)
	<u>136,916</u>	<u>237,345</u>	<u>240,000</u>	<u>(2,655)</u>
Receipts over (under) expenditures	11,135	(79,825)		
UNENCUMBERED CASH, beginning	<u>178,374</u>	<u>189,509</u>		
UNENCUMBERED CASH, ending	<u>\$ 189,509</u>	<u>109,684</u>		

City of Peabody, Kansas

Special Revenue Funds

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2010

(With comparative actual amounts for the year ended December 31, 2009)

		2010		
	2009			Variance -
	Actual	Actual	Budget	Over
				(Under)
<u>SPECIAL PARK AND RECREATION FUND</u>				
RECEIPTS				
Liquor tax	\$ 521	620	250	370
Other	-	50	-	50
Transfer from General Fund	8,000	3,800	5,000	(1,200)
	8,521	4,470	5,250	(780)
EXPENDITURES				
Capital outlay	9,609	5,307	7,500	(2,193)
Receipts over (under) expenditures	(1,088)	(837)		
UNENCUMBERED CASH, beginning	2,001	913		
UNENCUMBERED CASH, ending	\$ 913	76		

City of Peabody, Kansas

Special Revenue Funds

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2010

(With comparative actual amounts for the year ended December 31, 2009)

		2010		
	2009			Variance -
	Actual	Actual	Budget	Over
				(Under)
<u>MUNICIPAL EQUIPMENT FUND</u>				
RECEIPTS				
Reimbursements	\$ -	1,107		
Transfer from Sewer Operating	5,000	20,000		
Transfer from Water Operating	5,000	10,000		
Transfer from Refuse Operating	6,000	-		
Transfer from General Fund	32,000	29,000		
	48,000	60,107		
EXPENDITURES				
Capital outlay	48,842	60,264		NOT APPLICABLE
Receipts over (under) expenditures	(842)	(157)		
UNENCUMBERED CASH, beginning	1,054	212		
UNENCUMBERED CASH, ending	\$ 212	55		
<u>CAPITAL IMPROVEMENT FUND</u>				
RECEIPTS				
Transfer from General Fund	\$ 20,500	-		
Transfer from Refuse Operating	5,000	25,000		
Donations	-	8,000		
Other	100	-		
Interest	634	256		
	26,234	33,256		
EXPENDITURES				
Capital outlay	56,464	32,675		NOT APPLICABLE
Receipts over (under) expenditures	(30,230)	581		
UNENCUMBERED CASH, beginning	30,409	179		
UNENCUMBERED CASH, ending	\$ 179	760		

City of Peabody, Kansas

Special Revenue Funds

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2010

(With comparative actual amounts for the year ended December 31, 2009)

		2010		
	2009 Actual	Actual	Budget	Variance - Over (Under)
<u>POLICE DARE FUND</u>				
RECEIPTS				
Other	\$ 5	4		
EXPENDITURES	-	-		NOT APPLICABLE
Receipts over (under) expenditures	5	4		
UNENCUMBERED CASH, beginning	782	787		
UNENCUMBERED CASH, ending	<u>\$ 787</u>	<u>791</u>		
<u>POLICE DIVERSION FUND</u>				
RECEIPTS				
Diversion fees	\$ 3,028	4,395		
EXPENDITURES	2,211	8,896		NOT APPLICABLE
Receipts over (under) expenditures	817	(4,501)		
UNENCUMBERED CASH, beginning	12,517	13,334		
UNENCUMBERED CASH, ending	<u>\$ 13,334</u>	<u>8,833</u>		
<u>POLICE LLEBG FUND</u>				
RECEIPTS	\$ -	-		
EXPENDITURES	-	-		NOT APPLICABLE
Receipts over (under) expenditures	-	-		
UNENCUMBERED CASH, beginning	127	127		
UNENCUMBERED CASH, ending	<u>\$ 127</u>	<u>127</u>		

City of Peabody, Kansas

Special Revenue Funds

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2010

(With comparative actual amounts for the year ended December 31, 2009)

		2010		Variance -
	2009	Actual	Budget	Over
	Actual			(Under)
<u>DRUG FORFEITURE FUND</u>				
RECEIPTS	\$ -	-		
EXPENDITURES	-	-	NOT APPLICABLE	
Receipts over (under) expenditures	-	-		
UNENCUMBERED CASH, beginning	1,190	1,190		
UNENCUMBERED CASH, ending	<u>\$ 1,190</u>	<u>1,190</u>		
<u>LIGHTING FUND</u>				
RECEIPTS				
Other	\$ 219	-		
	219	-		
EXPENDITURES	100	2	NOT APPLICABLE	
Receipts over (under) expenditures	119	(2)		
UNENCUMBERED CASH, beginning	244	363		
UNENCUMBERED CASH, ending	<u>\$ 363</u>	<u>361</u>		
<u>HART TRUST</u>				
RECEIPTS				
Interest	\$ 228	81		
Transfer from General Fund	4,000	-		
	<u>4,228</u>	<u>81</u>		
EXPENDITURES	7,435	-	NOT APPLICABLE	
Receipts over (under) expenditures	(3,207)	81		
UNENCUMBERED CASH, beginning	3,207	-		
UNENCUMBERED CASH, ending	<u>\$ -</u>	<u>81</u>		

City of Peabody, Kansas

Special Revenue Funds

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2010

(With comparative actual amounts for the year ended December 31, 2009)

	2009 Actual	2010		Variance - Over (Under)
		Actual	Budget	
<u>BRADLEY ESTATE</u>				
RECEIPTS	\$ -	-		
EXPENDITURES	-	-	NOT APPLICABLE	
Receipts over (under) expenditures	-	-		
UNENCUMBERED CASH, beginning	247	247		
UNENCUMBERED CASH, ending	<u>\$ 247</u>	<u>247</u>		

City of Peabody, Kansas

Debt Service Fund

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2010

(With comparative actual amounts for the year ended December 31, 2009)

		2010		
	2009			Variance -
	Actual	Actual	Budget	Over
				(Under)
<u>BOND AND INTEREST FUND</u>				
RECEIPTS				
Interest	\$ 292	112	-	112
Transfer from Sewer Operating	-	20,000	22,000	(2,000)
Transfer from General Fund	59,000	38,000	61,500	(23,500)
	<u>59,292</u>	<u>58,112</u>	<u>83,500</u>	<u>(25,388)</u>
EXPENDITURES				
Principal	18,043	18,482	17,519	963
Interest	40,874	42,121	42,976	(855)
Other	-	1	22,000	(21,999)
	<u>58,917</u>	<u>60,604</u>	<u>82,495</u>	<u>(21,891)</u>
Receipts over (under) expenditures	375	(2,492)		
UNENCUMBERED CASH, beginning	<u>2,779</u>	<u>3,154</u>		
UNENCUMBERED CASH, ending	\$ 3,154	662		

City of Peabody, Kansas

Capital Project Funds

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET*

Year ended December 31, 2010

	<u>Community Capacity Grant</u>	<u>Sewer- Lagoon</u>	<u>Total</u>
RECEIPTS			
Reimbursements	<u>\$ -</u>	<u>580</u>	<u>580</u>
EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>
Receipts over (under) expenditures	-	580	580
UNENCUMBERED CASH, beginning	<u>2,100</u>	<u>110</u>	<u>2,210</u>
UNENCUMBERED CASH, ending	<u>\$ 2,100</u>	<u>690</u>	<u>2,790</u>

* Annual adopted budget is not applicable for capital projects.

City of Peabody, Kansas

Enterprise Funds

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2010

(With comparative actual amounts for the year ended December 31, 2009)

		2010		
	2009			Variance -
	Actual	Actual	Budget	Over
				(Under)
WATER OPERATING				
RECEIPTS				
Sale of water	\$ 240,592	238,448	250,000	(11,552)
Penalties	5,489	7,856	7,000	856
Miscellaneous	5,765	4,963	7,500	(2,537)
Reimbursements	12	-	100	(100)
Interest	1,813	1,640	2,500	(860)
	<u>253,671</u>	<u>252,907</u>	<u>267,100</u>	<u>(14,193)</u>
EXPENDITURES				
Personal services				
Salaries	76,355	72,417	77,000	(4,583)
Benefits	30,539	36,695	33,000	3,695
Contractual services	42,633	37,793	39,400	(1,607)
Commodities	15,421	21,617	19,000	2,617
Capital outlay	42	580	-	580
Purchase of water	74,000	71,987	70,000	1,987
Transfers				
Municipal Equipment	5,000	10,000	17,750	(7,750)
Water Debt Service-2000	22,000	22,000	21,000	1,000
Water Bond Reserve-2000	2,124	1,795	2,125	(330)
	<u>268,114</u>	<u>274,884</u>	<u>279,275</u>	<u>(4,391)</u>
Receipts over (under) expenditures	(14,443)	(21,977)		
UNENCUMBERED CASH, beginning	<u>54,189</u>	<u>39,746</u>		
UNENCUMBERED CASH, ending	\$ 39,746	17,769		

City of Peabody, Kansas

Enterprise Funds**STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET**

Year ended December 31, 2010

(With comparative actual amounts for the year ended December 31, 2009)

		2010		
	2009			Variance -
	Actual	Actual	Budget	Over
				(Under)
<u>WATER DEBT SERVICE-2000</u>				
RECEIPTS				
Transfer from Water Operating	\$ 22,000	22,000		
	22,000	22,000		
EXPENDITURES				
Principal	4,618	4,844		
Interest	16,696	16,477		NOT APPLICABLE
	21,314	21,321		
Receipts over (under) expenditures	686	679		
UNENCUMBERED CASH, beginning	602	1,288		
UNENCUMBERED CASH, ending	\$ 1,288	1,967		
<u>WATER BOND RESERVE-2000</u>				
RECEIPTS				
Transfer from Water Operating	\$ 2,124	1,795		
EXPENDITURES				
	-	-		NOT APPLICABLE
Receipts over (under) expenditures	2,124	1,795		
UNENCUMBERED CASH, beginning	17,346	19,470		
UNENCUMBERED CASH, ending	\$ 19,470	21,265		

City of Peabody, Kansas

Enterprise Funds

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2010

(With comparative actual amounts for the year ended December 31, 2009)

		2010		
	2009			Variance -
	Actual	Actual	Budget	Over
				(Under)
SEWER OPERATING				
RECEIPTS				
Sewer fees	\$ 200,733	224,777	263,000	(38,223)
Penalties	4,174	4,255	4,000	255
Interest	-	-	100	(100)
Other	12	1,254	100	1,154
	<u>204,919</u>	<u>230,286</u>	<u>267,200</u>	<u>(36,914)</u>
EXPENDITURES				
Personal services				
Salaries	76,195	72,034	108,275	(36,241)
Benefits	25,919	30,578	-	30,578
Contractual services	29,424	34,097	57,700	(23,603)
Commodities	28,906	30,380	44,300	(13,920)
Capital outlay	3,767	18,920	-	18,920
Transfers				
Municipal Equipment	5,000	20,000	4,450	15,550
Bond and Interest	-	20,000	22,000	(2,000)
Sewer/Lagoon	8,000	-	-	-
Sewer Replacement	36,000	-	30,000	(30,000)
	<u>213,211</u>	<u>226,009</u>	<u>266,725</u>	<u>(40,716)</u>
Receipts over (under) expenditures	(8,292)	4,277		
UNENCUMBERED CASH, beginning	<u>20,726</u>	<u>12,434</u>		
UNENCUMBERED CASH, ending	<u>\$ 12,434</u>	<u>16,711</u>		
SEWER REPLACEMENT				
RECEIPTS				
Special assessments	\$ 655	415		
Interest	258	155		
Transfer from Sewer Operating	<u>36,000</u>	<u>-</u>		
	<u>36,913</u>	<u>570</u>		
EXPENDITURES				
Capital outlay	<u>36,487</u>	<u>-</u>	NOT APPLICABLE	
Receipts over (under) expenditures	426	570		
UNENCUMBERED CASH, beginning	<u>203</u>	<u>629</u>		
UNENCUMBERED CASH, ending	<u>\$ 629</u>	<u>1,199</u>		

City of Peabody, Kansas

Enterprise Funds

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2010

(With comparative actual amounts for the year ended December 31, 2009)

		2010		Variance -
	2009	Actual	Budget	Over
	Actual			(Under)
REFUSE FUND				
RECEIPTS				
Refuse fees	\$ 64,148	64,834	62,000	2,834
Penalties	1,985	1,925	2,500	(575)
Other	210	150	500	(350)
	<u>66,343</u>	<u>66,909</u>	<u>65,000</u>	<u>1,909</u>
EXPENDITURES				
Contractual services	65,237	58,244	60,100	(1,856)
Commodities	515	2,199	500	1,699
Capital outlay	250	-	-	-
Transfer to Capital Improvement	5,000	25,000	30,000	(5,000)
Transfer to Municipal Equipment	6,000	-	-	-
	<u>77,002</u>	<u>85,443</u>	<u>90,600</u>	<u>(5,157)</u>
Receipts over (under) expenditures	(10,659)	(18,534)		
UNENCUMBERED CASH, beginning	<u>37,365</u>	<u>26,706</u>		
UNENCUMBERED CASH, ending	<u>\$ 26,706</u>	<u>8,172</u>		
SWIMMING POOL				
RECEIPTS				
Admissions and concessions	\$ 7,771	-	-	-
Transfer from General Fund	28,000	-	-	-
Other	41	-	-	-
	<u>35,812</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES				
Personal services	25,279	274	-	274
Contractual services	6,249	-	-	-
Commodities	4,397	-	-	-
	<u>35,925</u>	<u>274</u>	<u>-</u>	<u>274</u>
Receipts over (under) expenditures	(113)	(274)		
UNENCUMBERED CASH, beginning	<u>387</u>	<u>274</u>		
UNENCUMBERED CASH, ending	<u>\$ 274</u>	<u>-</u>		

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The City of Peabody is a municipal corporation governed by an elected five-member council. These financial statements present the City of Peabody (the primary government) as the only component unit.

In addition to the primary government, the local housing authority, Indian Guide Terrace, which operates the City's housing projects, qualifies as a component unit of the City. Their financial activities are not, however, included in the accompanying financial statements.

Basis of Accounting

These financial statements are presented on a basis of accounting which demonstrates compliance with the cash basis and budget laws of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund, and an expenditure would be charged in the fund from which the transfer is made.

The City has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the City to use the statutory basis of accounting.

Departure from Generally Accepted Accounting Principles

The basis of presentation described above results in a financial statement presentation which shows cash receipts, expenditures, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown non-cash assets such as receivables, inventories and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with accounting principles generally accepted in the United States of America. Capital assets that account for the land, buildings and equipment owned by the City are not presented in the financial statements. Also, long-term debt such as general obligation bonds, capital leases, temporary notes, and compensated absences are not presented in the financial statements.

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

2. FUND DESCRIPTION

In governmental accounting, a fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The following types of funds comprise the financial activities of the City for the year 2010:

Governmental Funds

General Fund--to account for all unrestricted resources except those required to be accounted for in another fund.

Special Revenue Funds--to account for the proceeds of specific revenue sources other than special assessments or major capital projects that are restricted by law or administrative action to expenditure for specified purposes.

Debt Service Funds--to account for the accumulation of resources for and the payment of interest and principal on general long-term debt and the financing of special assessments which are general obligations of the City.

Capital Project Funds--to account for financial resources segregated for the acquisition of major capital facilities other than those financed by Enterprise Funds.

Proprietary Funds

Enterprise Funds--to account for operations that are financed and operated in a manner similar to private business enterprises, where the stated intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

3. BUDGETARY INFORMATION

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service funds, and enterprise funds. The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5th.
3. Public hearing on or before August 15th, but at least ten days after publication on notice of hearing.
4. Adoption of the final budget on or before August 25th.

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

3. BUDGETARY INFORMATION (Continued)

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. The 2010 budget was amended for the Special Highway Fund, Water Operating Fund, and Refuse Fund.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using a modified cash basis of accounting. Revenues are recognized when cash is received. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. All unencumbered appropriations (legal budget expenditure authority) lapse at year-end.

A legal operating budget is not required for fiduciary funds, capital project funds, enterprise bond reserve accounts, and the following special revenue funds:

Municipal Equipment Fund	Drug Forfeiture Fund
Capital Improvement Fund	Lighting Fund
Police DARE Fund	Hart Trust
Police Diversion Fund	Bradley Estate
Police LLEBG Fund	

Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

4. DEPOSITS AND INVESTMENTS

K.S.A. 9-1401 establishes the depositories which may be used by the City. The statute requires banks eligible to hold the City's funds have a main or branch bank in the county in which the City is located and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The City has no investment policy that would further limit interest rate risk.

K.S.A. 12-1675 limits the City's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; investment policy that would further limit its investment choices. As of December 31, 2010, the City's investments included only bank certificates of deposit with a fair value of \$107,136, which are not subject to investment rating.

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

4. DEPOSITS AND INVESTMENTS (Continued)

Concentration of Credit Risk

State statutes place no limit on the amount the City may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require the City's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The City has not designated peak periods. All deposits were legally secured at December 31, 2010.

At December 31, 2010, the carrying amount of the City's deposits, including component units, was \$327,907. The bank balance totaled \$335,372. The balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, \$250,000 was covered by FDIC insurance and the remaining \$85,372 was collateralized with securities held by the pledging financial institution's agents in the City's name.

Composition of Cash Balance

The cash balance consisted of the following at December 31, 2010:

Amount on deposit with financial institutions	
Checking and money market accounts	\$ 220,771
Time Deposits	<u>107,136</u>
	\$ <u>327,907</u>

5. COMPLIANCE WITH KANSAS STATUTES

The City was not in compliance with K.S.A. 79-2935 which limits fund expenditures to the appropriated budget in the Swimming Pool Fund.

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

6. LONG-TERM DEBT

Revenue Bond Covenants

The bond transcripts for the 2000 Series A and 2000 Series B Water Utility revenue bonds require that the income from the utility's operations be an amount not less than 110 percent of the principal and interest payments for the revenue bonds for the following year. As noted in the following schedule, operations did not meet the requirements for the year ended December 31, 2010.

	<u>Water</u>
Gross receipts	\$ 252,907
Expenditures, net of transfers and capital outlay	<u>240,509</u>
Net income, as defined	12,398
110% of scheduled 2011 principal and interest payments	<u>23,453</u>
Net income over (under) amount required	\$ (<u>11,055</u>)

In addition to the requirement above, the transcripts for the revenue bonds require that the City maintain certain reserves for payment of the revenue bond principal and interest and for payment of unforeseen expenditures. As of December 31, 2010, all reserves equaled or exceeded the amounts required by the bond transcripts. Specifically, the reserves are as follows:

Revenue bond debt service - Requires monthly transfers for payment of the next maturing bond principal and interest.

Revenue bond reserve - Requires a specified balance which can only be used for debt service if monies are not otherwise available.

Revenue bond surplus reserve - Excess monies in the operating fund are to be transferred to this reserve and may be used for capital improvements, debt service, and operating expenses.

City of Peabody, Kansas

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

6. LONG-TERM DEBT (Continued)

Changes in the long-term liabilities for the City for the year ended December 31, 2010 were as follows:

Issue	Interest Rates	Date of Issue	Amount of Issue	Maturity Date	Balance 12-31-09	Additions	Deletions	Balance 12-31-10	Interest Paid
Revenue Bonds:									
2000 Water System Series A	4.750%	11/09/00	\$ 157,500	11/09/40	\$ 143,688	-	2,120	141,568	6,825
2000 Water System Series B	5.125%	11/09/00	210,600	11/09/40	193,039	-	2,724	190,315	9,652
					<u>336,727</u>	<u>-</u>	<u>4,844</u>	<u>331,883</u>	<u>16,477</u>
General Obligation Bonds:									
Series 2006 A	4.250%	01/04/06	465,000	01/11/46	450,324	-	5,458	444,866	18,928
Series 2006 B	4.500%	01/05/06	450,000	01/11/46	436,573	-	5,024	431,549	19,441
Series 2007	4.750%	07/30/07	95,000	08/01/17	79,000	-	8,000	71,000	3,752
Series 2009 A	3.00-6.00%	12/08/09	200,000	10/01/20	200,000	-	-	200,000	-
					<u>1,165,897</u>	<u>-</u>	<u>18,482</u>	<u>1,147,415</u>	<u>42,121</u>
Capital Lease Obligations:									
Canon copier	5.000%	01/10/07	14,508	11/10/10	3,571	-	3,571	-	100
Butler building	5.250%	05/01/06	127,000	05/01/13	78,264	-	18,061	60,203	4,086
2008 Crown Victoria	5.050%	02/21/08	23,701	02/21/10	12,154	-	12,154	-	622
Dodge and Chevy pickups	4.800%	09/08/08	24,275	09/05/11	16,547	-	8,053	8,494	827
2010 Crown Victoria	4.650%	02/25/10	19,516	03/03/12	-	19,516	-	19,516	-
NH tractor and loader	4.650%	05/20/10	33,500	05/10/13	-	33,500	11,678	21,822	-
					<u>110,536</u>	<u>53,016</u>	<u>53,517</u>	<u>110,035</u>	<u>5,635</u>
Total Long-Term Debt					<u>\$ 1,613,160</u>	<u>53,016</u>	<u>76,843</u>	<u>1,589,333</u>	<u>64,233</u>

Current maturities of long-term debt and interest through maturity are as follows:

	Year ending December 31								
	2011	2012	2013	2014	2015	2016-2020	2021-2025	Thereafter	Total
Principal									
Revenue Bonds	\$ 5,081	5,286	5,588	5,861	6,148	35,470	45,090	223,359	331,883
General Obligation Bonds	29,481	34,939	41,315	41,912	42,432	208,693	87,476	661,167	1,147,415
Capital Lease Obligations	47,675	41,145	21,215	-	-	-	-	-	110,035
Total principal	<u>82,237</u>	<u>81,370</u>	<u>68,118</u>	<u>47,773</u>	<u>48,580</u>	<u>244,163</u>	<u>132,566</u>	<u>884,526</u>	<u>1,589,333</u>
Interest									
Revenue Bonds	16,240	16,036	15,733	15,460	15,173	71,136	61,516	97,503	308,797
General Obligation Bonds	59,394	50,393	48,963	47,193	45,298	195,597	156,602	363,446	966,886
Capital Lease Obligations	5,510	3,141	1,105	-	-	-	-	-	9,756
Total interest	<u>81,144</u>	<u>69,570</u>	<u>65,801</u>	<u>62,653</u>	<u>60,471</u>	<u>266,733</u>	<u>218,118</u>	<u>460,949</u>	<u>1,285,439</u>
Total principal and interest	<u>\$ 163,381</u>	<u>150,940</u>	<u>133,919</u>	<u>110,426</u>	<u>109,051</u>	<u>510,896</u>	<u>350,684</u>	<u>1,345,475</u>	<u>2,874,772</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

7. CAPITAL IMPROVEMENT PROJECTS

During the year 2003, the City began a sewer lagoon and a Community Capacity Grant capital project to be financed with loans and grants. At December 31, 2010, capital project authorizations compared with expenditures from inception are as follows:

	<u>Project Authorization</u>	<u>Expenditures to Date</u>
Sewer lagoon	\$ <u>1,494,198</u>	<u>1,493,232</u>
Community Capacity Grant	\$ <u>15,000</u>	<u>12,900</u>

8. DEFINED BENEFIT PENSION PLAN

Plan Description

The City of Peabody contributes to the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et seq. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S. Kansas, Topeka, KS 66603-3803) or by calling 1-888-275-5737.

Funding Policy

K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4.00% to 6.00% of covered salary. The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. State law sets a limitation on annual increases in the contribution rates for KPERS employers. The employer rate, established by statute, was 6.14% at December 31, 2010. The City's contributions to KPERS for the year ending December 31, 2010, 2009, and 2008 were \$19,502, \$15,704, and \$16,198, equal to the annual statutory required contributions for the year.

9. COMPENSATED ABSENCES

Full-time employees earn two weeks of paid vacation upon completion of one year of employment through ten years of service. After ten years of service, employees earn three weeks of paid vacation per year. Unused vacation pay is paid to employees upon termination. Unused vacation time has not been recorded as a liability in the accompanying financial statements.

Full-time employees receive 10 days of paid time off each year. This is in lieu of paid sick time. Any paid time off not used by the end of the year is paid to the employee at the rate of ½ day for each 1 day of paid time off remaining.

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

10. INTERFUND TRANSACTIONS

Operating transfers during the year ended December 31, 2010, were as follows:

	<u>Transfer from</u>				
<u>Transfers to</u>	<u>General</u>	<u>Sewer</u>	<u>Water</u>	<u>Refuse</u>	<u>Total</u>
Special Park	\$ 3,800	-	-	-	3,800
Capital Improvement	-	-	-	25,000	25,000
Municipal Equipment	29,000	20,000	10,000	-	59,000
Water Debt Service-2000	-	-	22,000	-	22,000
Water Bond Reserve-2000	-	-	1,795	-	1,795
Bond and Interest	38,000	20,000	-	-	58,000
	<u>\$ 70,800</u>	<u>40,000</u>	<u>33,795</u>	<u>25,000</u>	<u>169,595</u>

11. DATE OF MANAGEMENT'S REVIEW

Management has performed an analysis of the activities and transactions subsequent to December 31, 2010, to determine the need for any adjustments to and/or disclosures within the audited financial statements. Management has performed their analysis through June 24, 2011 which is the date at which the financial statements were available to be issued.